

AMENDED IN ASSEMBLY JUNE 1, 2007

AMENDED IN ASSEMBLY APRIL 30, 2007

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 650

Introduced by Assembly Members Lieu and Jones

February 21, 2007

An act to add Part 10.3 (commencing with Section 19850) to Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 650, as amended, Lieu. Personal income taxes: earned income credit: notification.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. The federal income tax laws authorize a refundable earned income tax credit for certain low-income individuals who have earned income and who meet certain other requirements.

The bill would require an employer, as defined, to notify all employees that they may be eligible for the federal earned income tax credit, as specified. ~~This bill would also require that the Franchise Tax Board notify a taxpayer who may qualify for the earned income tax credit, as defined, by mailing a notice, in the form prescribed by the Franchise Tax Board, to that taxpayer's last known address.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Part 10.3 (commencing with Section 19850) is added to Division 2 of the Revenue and Taxation Code, to read:

PART 10.3. EARNED INCOME TAX CREDIT INFORMATION
ACT

19850. This act shall be known and may be cited as the Earned Income Tax Credit Information Act.

19851. The Legislature finds and declares as follows:

(a) Congress created the federal earned income tax credit (EITC) in 1975 to offset the adverse effects of the Medicare and social security payroll taxes on working poor families and to encourage low-income workers to seek employment rather than welfare.

(b) Due to a relatively low percentage of federal earned income tax credit eligible persons that participate in the federal Earned Income Tax Credit program, hundreds of millions of federal dollars go unclaimed by the working poor in California.

(c) In order to alleviate the tax burden on working poor persons and families, to enhance the wages and income of working poor persons and families, to ensure that California receives its share of the federal money available in the federal Earned Income Tax Credit program, and to inject additional federal money into the California economy, the state shall facilitate the furnishing of information to working poor persons and families regarding the availability of the federal earned income tax credit so that they may claim that credit on their federal income tax returns.

(d) It is the intent of this act to offer the most cost-effective assistance to eligible taxpayers through notices provided by their employers.

19852. For purposes of this part, the following terms have the following meanings:

(a) "Employer" means any California employer who is subject to, and is required to provide, unemployment insurance to his or her employees, under the Unemployment Insurance Code.

(b) "Employee" means any person who is covered by unemployment insurance by his or her employer, pursuant to the Unemployment Insurance Code.

1 (c) "EITC" means the federal earned income tax credit, as
2 defined in Section 32 of the Internal Revenue Code.

3 19853. (a) An employer shall notify all employees that they
4 may be eligible for the EITC within one week before or after, or
5 at the same time, that the employer provides an annual wage
6 summary, including, but not limited to, a Form W-2 or a Form
7 1099, to any employee.

8 (b) The employer shall provide the notification required by
9 subdivision (a) by handing directly to the employee or mailing to
10 the employee's last known address either of the following:

11 (1) Any notice available from the Internal Revenue Service for
12 this purpose, including, but not limited to, the IRS Notice 797, or
13 any successor notice or form.

14 (2) Any notice created by the employer, as long as it contains
15 substantially the same language as the notice described in
16 paragraph (1) or in subdivision (a) of Section 19854.

17 (c) The employer shall not satisfy the notification required by
18 subdivision (a) by posting a notice on an employee bulletin board
19 or sending it through office mail. However, these methods of
20 notification are encouraged to help inform all employees of the
21 EITC.

22 (d) Every employer shall provide and shall process in accordance
23 with federal law, Form W-5 for advance payments of the EITC,
24 upon the request of the employee.

25 19854. (a) The notice furnished to employees regarding the
26 availability of the EITC shall state as follows:

27
28 IF YOU EARNED LESS THAN \$(BLANK 1) LAST YEAR
29 AND HAVE AT LEAST TWO CHILDREN, EARNED LESS
30 THAN \$(BLANK 2) LAST YEAR AND HAVE ONE CHILD,
31 OR EARNED LESS THAN \$(BLANK 3) LAST YEAR AND
32 HAVE NO CHILDREN, YOU MAY BE ELIGIBLE TO
33 RECEIVE A TAX CREDIT FROM THE FEDERAL
34 GOVERNMENT. THE TAX CREDIT MAY BE A REFUND
35 FROM THE FEDERAL GOVERNMENT FOR AS MUCH
36 AS \$(BLANK 4). EVEN IF YOU DO NOT OWE FEDERAL
37 TAXES, YOU MUST FILE A TAX RETURN TO RECEIVE
38 THE EARNED INCOME TAX CREDIT. BE SURE TO FILL
39 OUT THE EARNED INCOME TAX CREDIT FORM IN
40 THE TAX RETURN BOOKLET. FOR FURTHER

1 INFORMATION THE IRS MAY BE CONTACTED AT
2 (BLANK 5).

3
4 (b) Blanks 1 to 4, inclusive, in the notice furnished by employers
5 shall be updated annually as follows:

6 (1) Blank 1 shall be the maximum earned income for earned
7 income credit eligible employees with two or more qualifying
8 children, as determined by the federal government.

9 (2) Blank 2 shall be the maximum earned income for earned
10 income credit eligible employees with one qualifying child, as
11 determined by the federal government.

12 (3) Blank 3 shall be the maximum earned income for earned
13 income credit eligible employees with no qualifying children, as
14 determined by the federal government.

15 (4) Blank 4 shall be the maximum available tax credit for earned
16 income credit eligible employees with two or more qualifying
17 children, as determined by the federal government.

18 (5) Blank 5 shall be “(by calling 1-800-829-3676 or through its
19 Web site at www.irs.gov.)” or any successor to that number or
20 Web site.

21 ~~19855. (a) Each year, the Franchise Tax Board shall notify~~
22 ~~any qualified taxpayer who may qualify for the EITC by mailing~~
23 ~~a notice, in the form prescribed by the Franchise Tax Board, to~~
24 ~~that qualified taxpayer’s last known address.~~

25 ~~(b) For purposes of this section, “qualified taxpayer” means any~~
26 ~~individual who timely files a return under Chapter 2 (commencing~~
27 ~~with Section 18501) of Part 10.2 with the Franchise Tax Board~~
28 ~~for the taxable year by the extended due date, and appears to satisfy~~
29 ~~the requirements for claiming the EITC, based on the information~~
30 ~~provided by the individual on that return.~~